App. F. IX-4

Previous References

1930-1. (Geol

File No. 39-30

Serial Nos. 1 5

Later References

40

General and Revenue Secretariat.

Serial Nos. [illegible] Five

Part B for June 32

SUBJECT

Assignment of the mining leases for Manganese ore held by M/s OD United Steel Coy. into the new United Steel Coy. Ltd

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D 24497-1 dt 28-10-32

to Dir of Geol - Compt

Sanction the recommendation of

the Dir of Geology &-

General and Revenue Secretariat

Serial No.

1 From the Director of Geology, No.5058-2d 11.10.30. Submits a copy of letter d.30.8.30 from Messrs. Johnson Weathenall, Stent & Handy, Solicitors, London, requesting sanction of the Hyderabad Govt for the assignment of the leases held by the United Steel Companies Ltd., for Manganese ore over two blocks of land in the Shimoga Dt to the newly formed "United Strip & Bar Mills Ltd" Company" of England and for the registration of the deed of assignment thereof and recommends that the sanction may be accorded subject to the assignment of the lease payment of the stamp duty on the proportionate consideration for the transfer as was paid by the Company on the last occasion.

1. The previous files are put up for perusal
2. Noted for orders of the recommendations
M.V. Office Director may be sanctioned
14.10.30. KB

3. may be sanctioned
Leeds

14/10

4. Bra
14/10

Secl Secretary.

14/10

5. Jayce
&
17/10 Sr. Asst
14/10

6. Draft ordered
M.V. Secl
22.10.30.
Leeds

7. Orders issued

X Together with the Assignment Deed & the Counterpart ordered to be returned.

21 OCT. 1930
No. 1047

No reference to the name

The Director of Geol
The Comptroller
No D 4497-8 dated 29/10/30
for action the recommendation
made in para 1 above

OFFICE OF THE
THIRD [illegible]
18 NOV. 1930
No. 1227

From the Director of Geology. No. 5058-4 d. 13.11.30. Forwards a copy of letter d. 24.10.30 received from the Solicitors of the Company (Messrs Johnson, Weatherall, Stuart & Handy) London, in reply to his letter of 27.9.30 stating that the New Consolidated Gold Company has only a reduced capital of £6,650,000 and that as the value of the mining rights has been entered as nil in their accounts there is no consideration passed in respect of the transfer and that there is therefore no advalorem stamp duty payable, and suggests that the Law Officers may be consulted in the matter as the question is complex and involves legal technicalities and his opinion obtained and orders communicated to him so that he may address the Solicitors in the matter definitely.

9. Submitted for orders with the connected papers.

MW. 15.11.30.

If approved the L.R. may be consulted.

Serial No.

The question is whether the deed of assignment by the United Steel Co.Ltd (Old Co to the New Co. of the same name, whereby the rights in the mining leases in the Kumsi and Shankar State Forests are conveyed requires to be stamped under the Mysore Stamp Regulation and if so, what is the value of the stamp duty leviable.

14 2. Both the Companies are registered in England and under an order of the High Court of Justice in England - Chancery Division - sanctioning a scheme of arrangement under the English Companies Act, the new Co. has taken over all the assets and liabilities of the old company in consideration of the issue of shares in the new co. to the Debenture holders and shareholders of the old co. as settled by the Court. It is in pursuance of this scheme (vide 'A' on page 3 of the print order) that the deed of assignment in question is executed.

15. 3. The instrument is one which clearly comes under article 49 of Schedule IA of the Mysore Stamp Regn., being " a transfer of lease by way of assignment and not by way of underlease" The duty to be paid is therefore " the same duty as a conveyance ~~for~~ for a consideration equal to the consideration for the transfer". The question is therefore, what is the consideration for the transfer of these leasehold interests

WD 02563—G PB—50,000—8

16. 4. The Solicitors, on behalf of the Co. contend that there is no consideration for this transfer since in reality the scheme is merely reduction of capital of the old co. and that in arriving at the figures for such reduction, the value of these mining rights has been written down to nil in the accounts of the new company.

17. 5. It is however well settled that - where a transfer takes place upon the amalgamation of two companies, or the reconstruction of an old co. into a new one, the transfer is none the less a conveyance and stamp duty id payable on that head. (Great Western Ry Co vs the Inland Rev Comrs. 1894 1 Q.B. 507; See also 20 Bom 432).

18. In Foster & Sons vs I.R.Comrs. (1894 1Q.B.516) eight persons who had been carrying on business in partnership determined the partnership and transfered the business to a limited Company formed exclusively of themselves; and they by deed conveyed the partnership property to the Company and the shares and debenture stock of the Co. were alloted to them in certain proportions. It was held that the deed was a conveyance on sale and chargeable as such with an advalorem duty under the Stamp Act.

19. Where a company was dissolved and reincorporated in pursuance of which the property of the old Co. was vested in the new co, the share holders being given stock of the new company in substitution for the stock of the dissolved co it was held that the property of the dissolved co. "vested by way of sale" in the new company. (Att. General vs Felixstowe Gas Light Co 1907

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LD. 6. The difficulty however in the present case is to ascertain the consideration for the transfer of the leases. The instrument itself mentions no consideration. The Solicitor's contention appears to be that since in arriving at the figures for the reduction of capital, they have valued the mining rights at nil, there is actually no consideration for this transfer. Section 28Cl 1 of the Stamp Regulation, corresponding to sec.58 of the English Stamp Act, - enables a party in such cases to apportion the consideration, as they think fit; but it is - necessary that for that section to apply, a distinct consideration for each separate part - ought to be set forth in the conveyance relating thereto. In this case, the company has not - adopted this course and the stamp authorities are not in such circumstances precluded from finding out the real facts and assessing the instrument with its proper duty. (vide dictum of Rigby L.J. in 1898 2 Q.B. 507 at 526; followed in 1914 3 K.B. 303, particularly the arguments of Sir John Simon Att-Gen at page 306). Now since the original document itself is produced before the Director of Geology in the performance of his official duties, the company has to stamp the instrument according to law; otherwise the Director can impound it under sec 33 of the Stamp Regn. and also refuse to recognise the transfer.

7. The question, however, of finding out the actual consideration for the transfer in this case does not appear to be a simple one. The method suggested by the Director of Geology is to take the consideration for the transfer as being equal to the present value of the securities which in a transfer effected in 1923, were treated as being equavalent to the value of the leases as then assessed. Thus, in the 1923 transfer, the leases were considered equavalent to £ 169,149/ consisting of :-

"B" Debentures	£ 63,934
Preference	£ 70,143
Ordinary	£ 35,072

Since now the "B" debenture holders are to receive only £80 for every 100 and the preference and the ordinary shareholders are to receive one ordinary share for every 3 preference and 5 ordinary shares the director calculates the present consideration for the transfer as follows :-

4/5 ths of "B" Debentures i.e. 4/5ths of £ 63934.	£ 51147 1/5
1/3 of Preference i.e 1/3 of £ 70143	£ 23381
1/5 of ordinary i.e. 1/5 of £ 35072	£ 7014 2/5
Total	£ 60542 3/5

So that the stamp duty payable is as for a conveyance for a consideration equal to £ 60,543/.

8. This method presumes that the value of the leases has diminished during the peridd from 1923 to 1930 in the same proportion as the value of the securities which were supposed to be equavalent to the value of the leases in 1923 The more correct way would be to adopt the actual method

adopted in 1923 for finding out the consideration. The leases in question were then actually valued and that value was fixed at £ 134,077
The consideration was then fixed as follows

If the total capital of the old co. was p
and the capital of the new co. (exchanged for this) was q, then
the consideration for the transfer was -
£ 134077(q/p)

It is therefore essential to, first of all, fix the present value of the mining leases and then to calculate the consideration paid for the transfer in the way above indicated. The Company cannot be heard to say that the value of the leases is nil; for, they must have a market value. What it is, however, is a question for the experts to decide.

J. Legal Rr

MY
8/12/30

24. Forwarded A.O. with compliments to the Govt. Advocate for favour of opinion.

R.O.
Mahadevappa
Land Secy to Govt

Govt File No. 19 of 1930.

aft letter referred to in it.

G. Ramachandra Rao
Government Advocate.
17/1/31.

CSN.

The Government Advocate is of opinion that the deed of assignment as now executed and submitted to Government does not under the Stamp Law require any stamp and that the document has to be got altered so as to incorporate within its terms the actual Consideration for the transfer effected. He also proposes a method by which this alteration can be procured

It is submitted that the learned Govt Advocate's opinion that the deed in its present form is exempt from Stamp Duty merely because no value is mentioned in the deed itself, is one which appears to require some further Consideration - In support of this view reliance is placed on the decision of the Allahabad High Court reported in 44 All 339 (1922 A.D.R. All 82). That case as the Govt Advocate himself states, was a case of 'gift' falling under Art 33 of the Indian Stamp Act which article corresponds to Art 26 of the Schedu

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of our Stamp Regulation and prescribes in the case of instruments of gift "the same duty as a Conveyance for a Consideration equal to the value of the property as set forth in such instrument". these underlined words were held in the Allahabad case to refer back to the word "value" & not to the word property and since in the case before the Court, the instrument did not set forth any value, the Court had to come to the conclusion that though it might be a contravention of the provisions of sec 27, the deed itself could not be liable to any stamp duty & the Stamp authorities had no jurisdiction to ascertain the value of the properties with a view to causing the instrument to be stamped with reference to the value thus ascertained."

28. It therefore follows, that the Allahabad ruling can be an authority only in cases where the duty is under the law to be calculated on the consideration or value as set forth in the instrument and not in cases where it is to be calculated on the actual or true consideration for the transfer effected by such instrument.

Such as conveyance Exchange Gifts etc

** Such as
) transfers of lease
) transfers of shares
etc

Supt. File No. 39

The present case is not a case of gift or conveyance but a case actually falling within the four corners of art 49 of Schedule I A which prescribes "the same duty as a Conveyance for Consideration equal to the amount of the Consideration for the transfer."

29. In this Connection, it may be noted that in England prior to the passing of the Stamp Act 1870 (33 & 34 Vict c97) duties on Conveyances & leases were charged on the consideration expressed in the instruments ~~duty~~ and since 1870 the duty has been chargeable on the actual or true Consideration. It has been held in England that such consideration if not expressed in the instrument itself, can be ascertained from other documents or facts referred to therein - "The question whether an instrument is duly stamped or as to what stamp is required, is in general determined by what appears upon the face of it to be its legal operation when first executed so as to be capable of that operation, but the Court is not bound by the apparent tenor of an instrument and will decide according

Halsbury Vol 24 page 709

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to the real nature of the transaction, receiving if necessary, extrinsic evidence. (Skalobrz Vol 24, 712-13).

30. In this case, the thing to be done now is therefore to ascertain the actual consideration for the assignment and the necessary information has to be obtained from the lessees and for this purpose the draft suggested by the learned Govt. Advocate appears to be suitable. After the information is obtained, the present document itself may be got duly stamped instead of insisting on the lessees to send in a fresh deed containing the particulars of the consideration.

31. If the deed now sent is returned & the lessees are allowed to submit a fresh deed, it may be quite possible for them to execute the document in such a manner as to legally escape the stamp duty - for instance, they may exercise the power of apportioning the consideration as they think fit, a power given to

In this case the entire property of the old Company is conveyed for one Consideration to the new Co: and the Mysore lease being one of such properti is being conveyed by a separate instrument and the lessees will be quite in order in apportioning the Consideration in such a manner as to make it nil for the assignment of the leases.

32. In executing the present document, the company has not chosen to exercise this option and it may not be advisable to ~~Given~~ give them hereafter any scope to do it so as to ~~to~~ deprive the Govt of its Stamp Revenue.

33. It is no doubt true that Govt as lessors may exercise their power under the lease to prevent the Comp from doing this but such exercise, ~~for~~ for purposes of Stamp Revenue ~~would~~ cannot be strictly a proper exerci under the terms of the lease.

34. Legal R^v

35. The point for decision in this case is rather interesting.. It relates to the question of the proper stamp to be levied on a deed of assignment evidencing a tranfer of certain mining leases in the Kumsi and ~~Shikar~~ Shankar Gudda State Forests by the United Steel Co (Old Co) in favour of the new Company of the same name, under a reconstruction scheme sanctioned by the High Court of Justi Chancery Division, London. On behalf of the new Company the Solicitors argue that there is no consideration for this transfer since the new scheme is merely a reduction of capital of the ol Company and that in arriving at the figures for such reduction, the value of the mining rights in question has been written down to nil in the accounts of the new company.

36. 2. In my opinion there is no force in this ~~xxxxxxxxxxxx~~ contention and it does not seem to deserve serious consideration. It has to be pointed out that if the old and new companies bring about an amalgamation scheme and agree to write down the value of the Mysore Mining leases at nil, such an agreement is not binding on the Mysore Government who are admittedly not parties to the arrangement, and it looks strange that the English solicitors should set up an agreement, which has no legal operation against the Mysore Government in order to deprive them of their legitimate stamp revenue. It is well settled that where a transfer takes place upon the amalgamation

of two companies, or the reconstruction of an old Company into a new one, the transfer is none the less a conveyance and stamp duty is payable ~~thereof~~ therefor (Vide Great Western Railway Co., vs The Inland Revenue Commissioners 1894. 1 Q.B.507) and ~~I.L.R.~~ I.L.R.20 Bombay 432.)

3. The Government Advocate is of opinion that the deed of assignment in its present form does not require any stamp according to the Stamp Law, and that it requires ~~alteration~~ alteration so as to incorporate into its terms the actual consideration for the transfer effected. He wants further information to be called for from the Solicitors and has also suggested a draft letter for the purpose. I have very carefully examined this question and find myself unable to agree with the above opinion. Further, I very much doubt the wisdom of sending back the original deed to the Solicitors instead of levying thereon, what in our opinion is the proper stamp, and calling upon them either to pay it or to allow it to be impounded under our stamp law. The opinion of the Government Advocate is based on the decision reported in I.L.R.44 Allahabad p.339 (1922 A.I.R. Allahabad p.82). But that case was, as the Government Advocate himself admits, a case of "gift" falling under Article 33 of the Indian Stamp Act corresponding to Article 26 of Schedule I of our Stamp Regulation) and therefore inapplicable, for obvious reasons, to the present case of a "Transfer of lease" which falls under Article 49 of our Stamp Regulation. It has to be observed that in

The Allahabad case, relied on by the Government Advocate, the judges have drawn pointed attention in the judgment to the following words "for a consideration equal to the value of the property as set forth in such intrument" appearing in Article 33 of the Stamp Act. Since the instrument did not set forth any value, the court had to come to the conclusion that the document was not liable to stamp duty and that the Stamp authorities had no jurisdiction to ascertain the value of the properties in order to cause the instrument to be stamped.

38 4. The Allahabad decision can be deemed to be an authority only in cases where the stamp duty is to be calculated on the consideration or value as set forth in the instrument itself. It is evidently inapplicable to cases where it has to be calculated on the actual or true consideration for the transaction as in the present case, which falls under article 49. This prescribes "the same duty as a conveyance for a consideration equal to the amount of the consideration for the transfer." Hence the question for determination is "what is the consideration for the transfer of the mining leases"? It needs no argument to state that the mining leases do possess some value. Otherwise, this formal deed of assignment would not have come into existence; and the solicitors would not have sent it to the Director for registration. As the mining leases are really

Though there are no decisions of the Indian High Courts on this point, there is sufficient authority for the proposition that the Stamp authorities are competent to ascertain the actual consideration from other facts. (Vide Donogh's Indian Stamp Law (1929) p.290-291).

5. It has been held in England that if consideration is not expressed in the instrumen itself, it can be ascertained with the help of other documents or facts. (Vide Halsbury's La of England Vol.24, p.704.)
Again, the question of stamp duty of an instrument is in general determined by what appears upon the face of it to be its legal operation. The court is not bound by the apparent tenour o the instrument, and it will decide according to the real nature of the transaction, receiving, if necessary, extrinsic evidence. (Vide Halsbury's Laws of England, Vol.24 p.712-713).

40 6. It has to be added that if the docu ment is sent back to London for revision and alteration, it is open to the Solicitors to redraft it in such a way as to legally escape the payment of any stamp duty by exercising the power of apportioning the consideration as they think fit, since the law allows such a power when a property is sold for one consideration but is conveyed by separate instruments. The corresponding provision of Indian law is contained in Section 28 of The Indian Stamp Act.

Under these circumstances, I think th

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best course is to fix the consideration on some reasonable basis and inform the solicitors that the assignment will not be recognised by Government unless the required stamp duty is paid. The method of calculation seems to require expert knowledge. But the method proposed by the Director of Geology in his letter dated 13th November 1930, presumes that the value of the mining leases has gone down during the period from 1923 to 1930. In my opinion, there is no need to make this admission, especially as we have no proper means of knowing the real market value of the mining leases in a place like London. Without committing ourselves to any statement in a matter in which we have no adequate information, I think the Director can demand the same amount of stamp duty, viz., £1691-10-0 as in the previous case in 1923. There was a similar instance of transfer of the same lease in 1923 and after much correspondence the value of the mining leases was fixed at £169,149-0-0 (Vide letter of Solicitors dated 24th January 1923). The same amount of considera tion may be adopted now also, in order to simplify matters and avoid controversies, and the same duty may be demanded. This view will have the support of the precedent of 1922, and the solicitors may not be in a position to offer any resistance to the Director's claim for the paymen

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of a similar amount of Stamp Duty.

Mahadevan

Dev Secy with Comp 13.4.21

1st Member

RG 20/7/31 Ce 21/4

42 The contention that the value of the two leases is nil is untenable. If the leases are worth nothing, there is nothing to transfer and there need be no assignment at all. I am not sure if under the Mining Rules we can approve of a n assignment the financial value of which is not properly assessed.

43. What consideration should be assumed for the assignment of the two leases for purposes of levying the stamp duty, has to be settled. In the assignment made on a previous occasion the value of the leases was assumed to be a ~~particular~~ proportion of the capital of the assignee company. The Solicitor's letter dated 24th January 1923 took ~~takes~~ this value to be £ 169,149/- According to the Comptroller's report dated 18th January 1921 the duty recovered was £ 1,850/- and on what value of the leases this duty was levied, cannot be made out. Whether the assignment referred to in the Solicitor's letter dated 24th January 1923 and that about which the duty mentioned in the Comptroller

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letter dated 18th January 1921 was recovered, were two separate transactions cannot also be made out. If there are any more papers throwing light on these two transactions, they may be put up. In any case, we might follow an arrangement similar to that adopted on the previous occasion or occasions and take the consideration for the present assignment to be a share of the capital of the assignee company bearing the same relation which the value of this interest did to the capital of the assignor company. An arrangement like this appears to be fair and at any rate, we might put it forward and see what the Company has got to say about it.

44. The file may, with the additional references traced out and put up, be referred to the Director of Geology and his further opinion invited.

22/4/31

45. A-Phase do this u.o.

22-4-31

22/4

Let the additional papers required are traced & put up as ordered by the 1st Member. The file may then be forwarded to the Director of Geology u.o. for his opinion.

27.4.31.

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App. F. III—2]

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47. Forwarded with compliments to the Director of Geology for favour of further opinion

B.O
Secretary
For General Secretary.

28/4/31

48. In order to arrive at the consideration for the present transfer on which stamp duty at 1% will have to be levied, a close study of the figures given during the transfer of the Workington Iron and Steel Co. concerns to the United Steel Cos. Ltd (old) is of help.

49. Letter dated 24th January 1923 from the solicitors Johnson Weatherall & Co. to the Director, Mysore Geological Department mentions the value of the securities exchanged.

Workington Iron & Steel Co.		United Steel Cos. Ltd.	
Capital		Securities.	
Preference shares	£.1,000,000	B. Debenture stocks	£.1,000,000
Ordinary shares	£ 1,097,117	Preference shares	1,097,117
		Ordinary shares	548,558
Total £	2,097,117	Total £	2,645,675

i.e. for the Preference shares of Workington Iron and Steel Co. of £.1,000,000 that which was assigned was B. Debenture stocks of £ 1,000,000. Similarly, for the £.1,097,117 ordinary shares of Workington Iron & Steel Co. the assignment was Preference share £.1,097,117 plus ordinary share £ 548,558.

NOTE—Contn. Sheet

WD 02553—GPB—50,000—8-7-30

No 603 of 1930-31

28-4-1931 with notes, Govt Advocate's opinion & draft letter, correspondence & collection).

R. 5858-9
2-5-1931
Enclosure one file

GENERAL SECRETARY
4 MAY 1931
No.

(Note:- There is a wrong entry of figures in the letter under ordinary shares of the United Steel Cos Ltd. it should be 548558 instead of 5485558. The total £.2,645,675/- indicates the error).

50. The Mysore Leaseholds were valued by the Workington Iron & Steel Cos. at £.1,34,077 with reference to their total capital of £.2,097,117 when the United Steel Cos. Ltd. (old) took the leaseholds over. Proportionate ~~valuation~~ valuation on the basis of securities offered, namely, £.2,645,675 was insisted on and it was therefore valued at £.1,69,149. This was the considerate amount on which stamp duty was levied at 1%, viz., £.1,691-10-0.

51. Proceeding on similar lines at the present stage of transfer from the United Steel Co Ltd. (old) to the United Steel Co. (new), the figures work out as follows:-

United Steel Co. Ltd (old) Securities.				United Steel Co. (New)	
B. Debenture stock	£.	1,000,000		Ordinary shares	£. 800,000
Preference shares	£	1,097,117		Ordinary share	£.[x] 365,706
Ordinary shates	£	548,558	&	Ordinary share	£.[x] 109,712
Total	£.	2,645,675		Total	£.1,275,418

[x] These figures are in accordance with the scheme of agreement, vide pages 26 & 27. Each B. Debenture stock of £.100 to have ordinary share of £.80. Every three £.1 Preference share to have one ordinary share of £.1, and every five £.1 ordinary share to have one £.1 ordinary share. X.

52. Hence £.1,275,418 of the United Steel Co. (new) will have to be taken as representing the securities now issued in exchange securities held by the United Steel Co.Ltd (old) in respect of the Mysore transaction. The Mysore leaseholds valuation on the proportionate basis of securities will then be £.2,645,675 : £.1,275,418 £.169,149 : ? and this works upto £.81,542.7. I am of opinion that this should form the considerate amount for the levy of stamp duty at 1%. The stamp duty leviable will be £.815-8-6.

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53. In my letter to Government (Nos.5058-4 dated 13th November 1930) I had suggested the levy of stamp duty of £.605.43 only taking into account the considerate amount of £.1,69,149 and applying proportionate reduction in accordance with shares issued in the New Company. This is not correct. The total securities offered in the shape of ordinary shares in exchange of B. Debenture stock, preference shares and ordinary shares of the old Co. will have to be calculated first and then the proportionate considerate value of Mysore leaseholds will have to be deduced. This gives the higher figure of £.815-8-6 for stamp duty.

54. There has been depreciation of the Mining properties, Railway stock &c. at Kumsi and Shankargudda. Ores of good quality averaging above 42% are not met with. As such it must be presumed that the securities too has diminished in value.

55. As a piece of information, I may add that £.1850/- was paid in Nov. 1920 by the Workington Iron and Steel Co as stamp duty to regularize the transaction of a transfer effected in their favour by the New Mysore Manganese Co. Another sum of £.1619-10-0 was paid in June 1923 as stamp duty when the United Steel Co took over Workington Iron and Steel Companies properties on the lines mentioned above.

P. Sampat Iyengar
Director.
Mysore Geological Departme

2nd May/

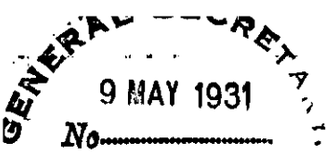
WD 02553—GPB—50,000—8-7-30

To.
The General Secretary
With Compliments.

Yuld with refer to the 1st Member's orders
in para 44 on page 19 of the notes.

MR. Sec Gen Secy CA 9/5

9.5.31.



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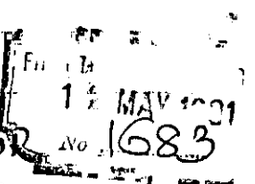

With ref to his letter of 25.11.30
the Dir may be informed as at
A in my note of 22.4.31. In
his note of 2/5/31 the Counsel
has upheld my calculation
the Value of the Manganese leases
is assessed as reasonable

Amt
13/5/31

RG
13/5731
CA
14/5

The Director as under
id above.

Mayhew 13/5/31

CA
20/5

To the Director of Geology. No. D.10490 d. 21.5.31.
states that as for the present occasion the con-
sideration for the present assignment of the
mining leases may be taken as a share of the
capital of the Assignee Company bearing the
same relation that the value of this inter-
est bears to the capital of the Assignor Com-
pany

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and that further action may be taken accordingly in communication with the Solicitors in London.

5 From the Director of Geology: No. 5058—4 d. 13.11.30. Forwards for information a copy of his communication addressed to the Solicitors, London, requesting that the stamp duty payable for the transfer of the two mining leases in question amounting to £815—8—6 may be paid to Messrs. Yeatts & Co. in London and stating that on receipt of intimation of the payment the sanction of Govt. to the transfer of the leases from the old Company to the New will be communicated to them.

Noted for perusal with the connected file which had been noted in another connection. The Director's further report may be awaited.

MK. 12.6.31.

Secy. Ce 15/6

Yes 16/6/31 Ce 16/6

Submd for orders.

As the stamp duty due from the Company in respect of the transfer of the mining leases was waived in G.O. flagged A in the limited file, this file, if approved, may be recorded as no further action in the matter seems to be necessary.

16/6

Yes 2/6/31

WD 02559—G PB—50,000—8 7 30

O P I N I O N.

The papers in the file are, in my opinion, insufficient to enable Government to come to a reasonable determination of the liabilities of the new United Steel Companies, Limited., so far as the transfer by assignment of the Mysore mining leases are concerned under the re-construction scheme sanctioned by Mr. Justice Eve, in the High Court of Justice, Chancery Division, London. - The primary suggestion put forward by the Company's Solicitors in their letter dated 24th October 1930 is that - no consideration passed in connection with the Mysore - leases and that it is only the liability which the new Company has taken over under the leases. They consequently urge that their clients are not liable to the payment of any ad-valorem duty on the transfer. It is not clear from their letter how they can state that there has been a reduction of capital in connection with the - reconstruction of the Companies while they are unable - distinctly to correlate such reduction with the writing down of the value of the Mysore leases at nil. There are no documents furnished by them, from which we can - satisfy ourselves that this representation is substantially well-founded. For instance, if the Solicitors - had forwarded to Government, the Balance Sheets of the - old United Steel Companies, Ltd., from the year 1923 when the last valuation stood at £.134,077 in the books of the Workington Iron and Steel Company, Limited., and the same taken over at £.169,149 by the old United Steel Companies, Limited., and furnished other proofs showing how the latter figure of £. 169,149 came to be written down

to nil at the time of the amalgamation and reconstruction (1930), then they would have established a prima facie case for Government considering the reasonableness of their - suggestion that the Mining leases had perforce to be taken at the amalgamation time as nil. To make out their case, they might have forwarded to Government the Balance Sheets of the old United Steel Companies, Ltd., from 1923 to 1929, inclusive, showing the rate or rates at which the annual - depreciation has been worked out, as a matter of fact, on these mining leases and brought their value to nil on the date of re-construction. This raises a presumption that Government will have to view with caution, at least for the time being, the suggestion that because in the amalgamation scheme, the old United Steel Companies, Limited., and the new United Steel Companies, Limited., have agreed to write down the value of the Mysore mining leases at nil, Government should accept their ipsi dixit without further - examination of the question. The Government have the - legal right, as stated below, to insist on the new Company - furnishing the Government with full particulars and convincing them of the bona fide character of the representation made that the Mineral rights in the leases in question are really worth nothing and that when there is a transfer of these rights from another Company to itself - both being private parties - the Government are to forego the stamp - and registration duties on the true value of those rights if it had been set down in the re-construction scheme.

2. This position is countenanced to some extent by the words used in Mr. Justice Eve's vesting order which, - while it ~~directs~~ orders that as and from the date of incorporation of the new company, the right to obtain transfer of the - mining rights in the Mysore leases (mentioned in Part 5 of the

the First Schedule to the Order) it specifically states that "they being situate outside the jurisdiction of this court" they (the new Company) were to call for all necessary conveyances, transfers, assignments etc., for vesting the same in the new company "subject to all charges, if any". This clearly shows that Mr. Justice Eve's order can only be given effect to so far as the Mysore leases are concerned, only when there has been, on the part of the new company, a proper call for all necessary conveyances etc., which they could do only after payment of all charges.

3. The question then arises what are the charges to which Government are entitled in the case of an assignment of leases of the kind under reference. The case would have been a simple one if the deed of assignment had mentioned a proper consideration for the same. In such a case, article 49 of Schedule I A of the Mysore Stamp Regulation would directly apply and the same duty as on a conveyance for a consideration equal to the amount of consideration for the transfer would be leviable. But, in the present instance, the deed of assignment as submitted by the Solicitors on behalf of the new Company does not mention anything about consideration. The Solicitors' letter, dated 24th October 1930, however, states as already mentioned, "that there was no consideration passing in connection with the transfer", alleging that the mining rights had been written down at nil in the accounts of the new Company. This being so, under the law, both Mysore and British Indian - where no value is mentioned in a deed, no stamp duty is leviable therefor, for the obvious reason that in such a case it need not be stamped. It is beyond question that the following ruling of the Full Bench of the Allahabad High Court is sound law:- "The case seems to us strictly analogous to one which would arise if the executor

(executant)

(executant) of a deed of gift chose to set a purely nominal value on the property conveyed and to stamp the instrument accordingly. For the purpose of the Stamp Law, the valuation given in the instrument would have to be accepted. - If there was an intentional under-valuation, then a prosecution would protect the Government against the attempted - fraud". In the light of this decision, it would not be - legally possible to insist on the assignment, as it is, being stamped. It would require alteration in so far as the insertion in it of the consideration for the transfer of the mineral rights from the old company to the new company is considered. What steps should be taken by Government, to revise the deed of assignment and insert in it a proper consideration is separately considered below (vide paragraph below). Apart from that question, the suggestion whether the assignment falls within the terms of section 26 of the Mysore Stamp Regulation, because it does not explicitly mention any consideration, may be examined. Though no consideration is mentioned in the deed, yet it cannot be said that the value of its subject-matter is indeterminate, that is, that it could not have been ascertained at the date of its execution. Whatever the value of the leases may be, from - the point of view of Government, the old Company which is endeavouring to transfer them and the new Company which is taking them over, have both agreed in valuing them at nil. This is absolutely definitive so far as they are concerned, and if the Government agree in this valuation, no question of stamping can arise. In so far as the Companies are concerned, their valuation is accordingly perfectly explicit and for that very reason, the instrument cannot be said to fall within the terms of section 26, which section is only applicable where the value of the subject matter is indeterminate. Next we have to consider whether the instrument

is one which might be deemed to fall within the category of cases referred to in the proviso to section 26. This proviso refers to the case of a lease of a mine in which royalty or a share of the produce is received as the rent or part of the rent, in which case it is stated that it ought to suffice to estimate such royalty or the value of such share for the purpose of stamp duty at such amount or value as the Deputy Commissioner of the District in which the mines are situate may, where the lease has been granted by or on behalf of Government estimate as likely to be payable by way of royalty or share to the Government under the lease. This proviso is applicable only in the case where the subject-matter of the instrument is one of a lease of a mine in which royalty or a share of the produce is receivable as rent or part of the rent but not in the case of a transfer of a lease. The instrument, in the present case, being a transfer of a lease and not a lease, the proviso cannot be held to apply. Finally, the question whether this document can be impounded under section 33 of the Stamp Regulation may be referred to. This section can only apply to cases where it appears to the impounding Officer that such instrument is not "duly stamped", (see section 2 (11)). In the present instance, the document as it stands does not, in law, require any stamp and as such, it cannot be said to be not "duly stamped." In this view of the matter, the further suggestion that the matter of the present value of the leases in question can be made a subject of an expert enquiry is one not contemplated by the law. The Stamp Regulation is a fiscal enactment and has to be construed strictly. Its terms cannot be extended beyond what is specifically provided for under it. Under the proviso to section 26, there is mentioned the only case where such an enquiry is permissible. Neither the terms nor the

scope of this proviso can be extended or varied. It follows, therefore, that the suggestion of expert enquiry in the present instance would not be legal. This is in substance the view taken by the Full Bench of the Allahabad High Court in the case quoted above. The following relevant passage may be set down:- "There is no provision in the law authorising the Collector to do what he has done in the present instance (case of gift), namely, to ascertain the value of the property with a view to causing the instrument to be stamped with reference to the value thus ascertained". Such an enquiry being, inadmissible, in law, there is hardly any necessity to labour the point that the instrument in question is what it purports to be, an assignment. Since it is admittedly so, there is in it a transfer of the rights under the mining leases from the old Company to the new Company. Therefore, what may apply in cases where consideration actually passes from one party to another cannot be held to apply where such a consideration does not, as in the present instance, pass. In this view of the matter, the decisions in (1894) 1 Q.B.,507 and (1907) 2 K.B. 984 and (1914) 3, K.B. 303 are not in point.

It is to provide for cases of the kind where the consideration and all other facts and circumstances affecting the chargeability of any instrument with duty, or the amount of the duty with which it is chargeable are not mentioned as they ought to be, that provision of a mandatory character has been made in section 27 of the Regulation. This section states that every instrument "shall" set forth all the circumstances etc., in it "fully and truly" The penalty for omitting to comply with this Section is a heavy one and is set down in section 67 of the Regulation.

Accordingly, though there is no provision in law to deny the correctness of the valuation given in an instrument - - it may be nil or nominal - yet, an incorrect valuation or omission to set out the correct valuation in it is penalised. But, the present position of the Government, it is presumed, is not to impugn in any manner the truthfulness; or even the correctness of the statements of the Companies' Solicitors or the averments made in the deed of assignment, which Government cannot well do in the present state of their imperfect knowledge of the exact circumstances under which the 'nil' valuation has been made, but, to seek suitable avenues for enforcing the Government's - undoubted legal rights in this case. This is considered below.

5. The scheme of arrangement in connection with which the present assignment deed has been forwarded to the Director of Geology for registration is one under section 153 of the British Companies' Act, 1929 (19 and 20 Geo.V.C.23). Under that section, a scheme of amalgamation of the United Steel Companies, Limited., and of a subsidiary company called the United Strip and Bar Mills, Limited., has been sanctioned. Very briefly, the scheme consists of the formation of a new Company under the same name - The United Steel Companies, Limited (called the new Company below) with a share capital of £.6,650,000 out of the amalgamation of the two other companies mentioned above. . Shares of the total value of £.5,022,884 (in the new Company) have been issued credited as fully paid in satisfaction of all the claims of both the Companies, secured and unsecured. By the terms of Mr. Justice Eve's order made under sections 153 and 154 of the Act (Power to compromise with creditors and members; and provisions for facilitating the reconstruction

reconstruction and amalgamation of Companies) all the properties of the old United Steel Companies and the United Scrip and Bar Mills have been vested by virtue of the order, without further acknowledgment or Deed, in the new Company except the Mysore mining rights. This means that the vesting order is incomplete and ineffectual in law so far as the mining rights in Mysore are concerned. It is in connection with the latter because they could not be vested under the said order, the Court has given the right to the new Company to call for all necessary transfers and assignments to vest the same in the new Company. An order passed under section 154 of the Act provides primarily for "the transfer to the transferee company of the whole or any part of the undertaking and of the property or liabilities of any transferor company". (See Palmer's Company Law, 13th Edition, 1929, Appendix, page 553). The terms of Mr. Justice Eve's order show that the vesting order is complete except for effecting the necessary transfers and assignments of the mining leases in order that they may be vested in the new Company. The new Company cannot but get the Court's vesting order completed if not within three months fixed, at least within a reasonabl time thereafter. The new Company is bound both under the law and under the covenants governing the grant of the original leases to supply all such information as Government may require or desire in order that they might consider in all its bearings the request of the new Company for registering the Deed of Assignment sent by its Solicitors. Rule 40 of the Rules dated 29th October 1910 governing the grant of Mineral Licenses and leases states that "the Lessee shall not assign his lease or transfer any right or interest thereunder

thereunder to a person except with the previous consent of Government in writing", and it further stipulates - "that the lessee must report to Government the name and - financial position of the assignee and also submit for approval a draft of the proposed deed of assignment". -- Clauses 20 and 21 of Mining Leases Nos. 141 and 142 state that the lessee covenants not to assign or grant any interest or share in the leases without previously obtaining the consent of the lessors and also to deliver copies of all such assignments. The Companies' Solicitors cannot be said from the nature and character of the information which they have so far vouchsafed to have completely discharged their legal duties by the lessors. They have, no doubt, to some extent kept up to the form of their covenants but not to their spirit. They have reported the amalgamation of the Companies; they have stated that the old company is existent in the new Company with its old name perpetuated; and they have intimated that though there is a reduction of capital as a result of the amalgamation, the financial stability of the new company has "enrmously improved"; but they are absolutely silent as to the circumstances under which the mining rights came to be written down at nil, and they have also omitted to explain how the reduction of capital has, if at all, affected the value of the mining leases in - the reconstruction scheme. It is for providing for contingencies of this kind and to enable Government to know - the exact circumstances under which assignments of this - nature might take place that both Rule 40 above-quoted and covenants in the Mining leases specifically prescribe that the "lessee shall not assign his lease or transfer any right or interest thereunder to a person except with the previour consent of the Government in writing". Quite apart from the fact that this has not been done for the deed of assignment

assignment as between the parties thereto as sent to - Government is a completely executed one done without reference to Government - practically they have refused to give effect to or attach any importance to the express - words "except with the previous consent of the Government in writing". If they had given effect to this clause, in strict compliance - both in its letter and spirit - they would have had to completely disclose their case, i.e., the exact circumstances under which they arrived at a nil valuation in regard to the mining rights. These they are bound to disclose and Government are legally entitled to ask them to disclose. Until such time as they choose to do so, Government will be absolutely within their rights to refuse to countenance the deed of assignment sent by them, much less to register it. They should accordingly be called upon to furnish full details as to how in their reconstruction scheme, they came to value the mining leases at nil. That they should comply - with the Government's request for further infomation cannot be doubted either from the point of view of the explicit provisions made in the mining covenants or from the general law governing the reconstruction of a company under sections 153 and 154 of the British Companies' Act. By section 154, in the case of a reconstruction by means of a scheme under section 153, the Court may provide - as it has done in this case - for the transfer of the Company's business and the dissolution of the company (after the expiry of the 3 months fixed) without winding up and other incidental matters. It had been held that though this is so, the liabilities of the old Company continue and are capable of enforcement. Where a scheme of arrangement is proposed in regard to a company not being

wound

wound up, the Court has no jurisdiction, observes Mr. Topham K.C., (in Palmer's Company Law, at page 464 of the 1929 - Edition), to restrain actions and proceedings against the - old company (see Booth v. Walkden Spinning etc., Co.,(1909) 2, K.B., 368). Mr. Topham says~~xk~~ that this a defect in the Act of 1929. Whether a defect or not, it proves - helpful in the present case inasmuchas the new Company - would not naturally desire any litigation in the matter. So, a request for further information cannot, in its own interests, be refused by it. ~~They~~ We will have the less - reason to so refuse because ~~their~~ our Solicitors in their letter dated 30th August 1930 expressly volunteer to execute any further document or to do anything else to be done by the old Company before its dissolution takes place and if necessary to take further time from the Court for the purpose. Again, where the scheme of arrangement invdlves a reduction of capital, the provisions of the Act with - regard to reduction must be complied with. (Re: White Pass and Yukon Rail Co.,(1918) W. N. 323). Mr. Justice Eve's Order (pages 1 and 2) suggests that certain preliminary action has been taken by the Company to effectuate - legally a reconstruction scheme under the Act. It might be presumed that they have fully complied with the provisions of the law in regard to reduction of capital, such as the adoption of the necessary resolutions. Such resolutions aiming at reduction of capital must state with sufficient clearness what is to be donex in the way of reduction. No doubt, the scheme, as approved by Mr. Justice Eve's ~~Vesting~~ Order (see Third Schedule at pages 23 to 25 of the Print copy) shows the rearrangement of capital adopted by the new Company under the amalgamation scheme. But there is no clue in this or any of the other schedules as

to

to the conditions under which the value of the mining rights has practically disappeared from the assets of the new company in so far as the deed of assignment is concerned. This is the one point on which Government require further information and on which the Company's Solicitors are absolutely silent. The case for a call for further information is thus absolutely clear before registration can be contemplated. The terms in which they should be called upon to furnish further information have been generally indicated in para 1 above. A letter should go to the Solicitors of the new Company on the lines set out in that para. A provisional draft is enclosed and it may be properly scrutinized and used if found suitable by Government, with such alterations as they may deem expedient.

Bangalore,)
17th Jan.1931.)

M. Ramachandra Rao
Government Advocate.

To

Messrs. Johnson, Weatherall, Sturt & Hardy,
Solicitors,
7: King's Bench Walk,
Temple, LONDON. E. C. 4.

Gentlemen,

United Steel Company, Ltd.,

Mysore Mining Leases.

Adverting to your letter No. nil, dated 24th October 1930, enclosing Rs.5/- towards fee payable to this Department in respect of the application to assign, I have the honor to state that until the Department is furnished with full details as to the circumstances under which the value of the Mysore leases came to be written down at nil in the accounts of the new company, Government will not be in a position to consider the application for registration of the deed of assignment as sent by you. You yourself mention that as the value was written down to nil there was no consideration passing from the one company to the other, though this fact does not find a place in the deed itself. While it is satisfactory to know that, as a result of the reconstructio scheme sanctioned by the High Court of Justice, Chancery Division the position of the new company, by reason of the discharge of the liabilities, has been "enormously improved", it is not quite clear how the value of the mining leases has been reduced to nil in working out the scheme. In this connection, it would facilitate matters much, even from the point of view of your clients, to give fuller particulars as to how, for instance, the value of the Mysore leaseholds in the Kumsi and Sankaragudda Blocks which stood at one time at £.134,077, later at £.169,149, came to be represented as nil at the reconstruction time. Then, again, while you have, as required, forwarded the deed of Assignment for action here, your clients have not carried out the covenants contained in the -- leases and certain clauses mentioned in the mining leases themselves. As you will see by a reference to these documents,

"the Lessee

"the lessee shall not assign the lease or transfer any right or interest thereunder to a person except with the previous consent of the Government in writing" (See Rule 40 of the Rules of 29th October 1910). Similarly, the mining leases contain the stipulation that the lessee thereunder covenants not to assign or grant any interest or share in the leases without previously obtaining the consent of the lessors (See Mining Leases Nos.141 and 142, Clauses 20 and 21). On the other hand, what has been presented to the Department is a fait accompli, a deed of assignment executed between the transferor and the transferee, the Government being totally unaware of the circumstances under which the nil valuation was arrived at and implicitly given effect to the deed of assignment and the deed of assignment carried through without previously obtaining the consent in writing of the Government therefor. It is true that the new company is really the old company with another company amalgamated with it, even the old name being perpetuated. As you will readily agree, though it is the new company that is taking over the rights and liabilities of the old company, the new company by reason of its amalgamation with another company is a new legal entity and that is the very reason why a deed of assignment has been rendered necessary. The circumstances attending the assignment of the Mining leases for no consideration whatever and that without the previous knowledge or consent of Government in writing, being neither clear nor free from difficulty, I shall be glad if you will kindly let me have a clear and succint statement as to how exactly the writing down of the mineral rights came to be at nil. Also, I should thank you to send me the following documents for my information :-

(1) Balance Sheets of the old company from 1913 to 1929;

(2)

(2) Trading accounts of the old company for the same period.

(3) If No.(2) above does not contain the depreciation statements relating to the Mysore Mining Leases, copies of the annual depreciation statements - relating to them for the same period;

(4) Copies of statements prepared in connection with the valuation of the mining leases for the purpose of carrying through the reconstruction - scheme; a n d

(5) Copies of special resolutions passed in connection with the reduction of capital, petitions etc.,

On receipt of the above information and relative documents, I shall be glad to address Government suitably in the matter and see what might be done to give effect to your request.

I have the honor to be,
Sirs,
Your most obedient servant,

*****

"D r a f t"

M. Ramachandra Rao

Government Advocate.

CSN/17-1-31.

GOVERNMENT OF MYSORE

Ref. 17th Oct/30

Geol. 19-30-1.

Telegraphic Address:—"GEOL."
Received at 4 P.M.

MYSORE GEOLOGICAL DEPARTMENT,

No. 5058-2
Encn 4

Bangalore, 11th October 1930.

3024

FROM

P. SAMPAT IYENGAR, ESQ., M.A.,
Director of Geology in Mysore,
Bangalore.

GEN. & REV. SECT. MYSORE
13 OCT.
DEVELOPMENT BRANCH

To

B. Narayanaswami Iyengar, Esquire, B.A., B.L.,
Secretary to the Government of His Highness
the Maharaja of Mysore,
Development Departments.

SIR,

I have the honour to submit for the orders of Government a copy of letter, dated 30th August 1930, from Messrs. Johnson, Weatherall, Sturt and Hardy, Solicitors, London, in re- the United Steel Companies Ltd., of England, holders of two minir leases for Manganese Ore over two blocks of land in the Mysor State. It is represented that a scheme of arrangement and amalgamation of the United Steel Companies Ltd. and of a subsidiary Company the United Strip and Bar Mills Ltd., also o England has been carried through. As a result of this the United Steel Cos.Ltd., has formed itself into a New Company under the same name, but with a larger share capital. It is now required that Government sanction should be accorded for the assignment of the leases held by the Old Company in the Mysore State to the New Company and a deed of assignment in respect thereof has been submitted for being registered here. The Assignment Deed and the Court order referred to in the Solicitor's letter are forwarded herewith in original for the information of Government.

It will be seen that in opening their letter the Solicitors refer to the correspondence of June and July 1922 with this Department. This was in connection with the

assignment

assignment of the two manganese leases in Mysore from the Workington Iron & Steel Co Ltd., to the United Steel Cos.Ltd. In giving Government assent to the transfer of the leases then, it was stipulated that the duty leviable on the deed of transfer in pursuance of the Mysore Stamp Regulation should be paid (Vide. G.O.No.I.C.6176-7 Geol.82-21-3, dated 20th June 1922). As a result of this a sum of £.1691-10-0 was got credited in June 1923 to the accounts of the Mysore Government with Messrs. Coutts & Co., Bankers, London, on account of the Stamp duty at 1 % on the proportionate consideration for the transfer. Similarly on this occasion too, I beg to recommend that Government sanction may be accorded for the assignment of the leases from the Old Company to the New subject to the payment of the stamp duty on the proportionate consideration..

A copy of my letter No.5058-1, dated 27th September 1930, addressed to the Solicitors acknowledging their letter and asking for full particulars in regard to the consideration paid by the New Company to the Old in respect of our leases is also forwarded herewith for the information of Government.

The favour of early orders is solicited.

I have the honour to be,
Sir,
Your most obedient servant,

Director,
Mysore Geological Department.

(3)

Letter, dated 30th August 1930, from Messrs. Johnson, Weatherall, Sturt & Hardy, Solicitors, London, to the Director, Mysore Geological Department.

The United Steel Companies Ltd.

You may possibly recollect that in June and July of 1922 we had some correspondence with you in connection with the transfer to the United Steel Companies Ltd. from the Workington Iron & Steel Company Ltd of the Mining Rights of Manganese Ores in the Kumsi Mining Block, granted by lease dated 18th day of July 1913 between the Government of His Highness the Maharaja of Mysore and the Workington Iron & Steel Company Ltd., and of the mining rights of Manganese Ores in the Shankargudda Mining Block within the Shankar State Forest, Mysore, granted by a Lease also dated the 18th day of July 1913 and granted by the Government of His Highness the Maharaja of Mysore.

A Scheme of Arrangement and Amalgamation of the United Steel Companies Ltd. and of a subsidiary Company, the United Strip and Bar Mills Ltd., has recently been carried through and sanctioned by the Court.

We enclose you herewith a Print of the order of Mr.Justice Eve, dated the 16th day of August 1930 by which the Scheme of arrangement and amalgamation was approved. You will find the Scheme of Arrangement set out in the 3rd Schedule on Page 23 of the Order, and the following pages.

Shortly the Scheme embraced the formation of a new Company under the same name - the United Steel Companies Limited - with a Share Capital of - £.6,650,000.

The shares in the new Company to the amount of £.5,022,884 shares have been issued credited as fully paid in satisfaction of th "A" Debentures and the "B" and "C" Debenture Stock, and the unsecured Obligations and the Preference and Ordinary shares of the old United Steel Companies Ltd. incorporated in 1918, and in satisfaction of th Preference shares of the United Strip and Bar Mills.

By the terms of the Order, which was made under Sections 153 and 154 of the New Companies Act of 1929, all the properties of the Old United Steel Companies and the United Strip and Bar Mills were vested by virtue of the Order (without further acknowledgment or Deed) in the New Company.

As regards, however, the MINING RIGHTS vested in the United Steel Companies Ltd. under the two leases above referred to - as these are outside the jurisdiction of the Court they could not be vested; but you will see on Page 3 the Court have the right to the new Company to call for all necessary Transfers and Assignments to vest same in the new Company.

It will also be observed by the Order (see the 3rd paragraph on Page 4) that the United Steel Companies Ltd. incorporated 1918; will become dissolved in THREE MONTHS after the date of the Order, or rather the date of the filing of the Office Copy of the Order with the Registrar, which date was the ... 18th AUGUST 1930.

As the order is ineffective to effect the assignment of the two Leases from the old Company to the New Company we have had a DEED of ASSIGNMENT prepared, the date of which we have left in blank. We enclose you this Deed which you will note has been sealed by the old Company and also by the New Company. We shall feel greatly obliged by your kindly having this Assignment duly registered so as to vest the title of the LEASES in the new Company.

It will be seen from the Scheme that the position of the New Company, by reason of the discharge of the liabilities; is enormously improved.

As you may not have handy to refer to a copy of the English New Companies Act of 1929 we enclose you herewith a copy of the Section 154 of the Act.

You will note that under the terms of the Order the Court has power to extend the period for dissolution of the old Company If, therefore, you require any further document to be executed or anything else done by the old Company before its dissolution, please inform us: in which case we would apply to the Court to

postpone

postpone the dissolution.

As you will probably not be able to deal with this letter for another month thefe will be hardly time for us to make any Application for postponement if we only hear from you by letter: therefore we shall feel greatly obliged if any thing is required if you will kindly CABLE as to the requisition. We can then apply to the Court to extend the time for the dissolution of the old Company.

Copy.

A.M.Lees

for Director,

C.N. Mysore Geological Department.

11-10-30.

M.G.D. 12.]

Dated, Bangalore,

No. 5058-1 6 27th Sept 193

FROM

P. SAMPAT IYENGAR, ESQ,. M.A.,
Director, Mysore Geological Department.

To

Messrs. Johnson, Weatherall, Sturt & Hardy,
Solicitors,
7, King's Bench Walk,
Temple, L O N D O N. E.C. 4

Gentlemen,

I have the honour to acknowledge the receipt of your letter dated 30-8-1930 and enclosures thereto in re-the United Steel Companies, Ltd. It is noted that the company is now re-constructed under the same name but with larger share capital amalgamating a subsidiary company- The United Strip and Bar Mills, and that as a sequence the two mining leases for Manganes blocks held by the old company in the Mysore State are required to be transferred to the new company.

Under the rules at present in force relating to assignments, the consent of Government is required to be obtaine in writing in the first instance and the deed of assignment, when approved, will have to be duly stamped and registered in accordance with the laws in force in the State of Mysore. There is also a small fee of Rs 5/- to be paid to this Department. An extract fro the rules is enclosed herewith for your information

As on the previous occasion it will be necessary that stamp duty will have to be paid on the consideration amount of the transaction and I have to request you therefore to furnish me with information as to the total amount of the consideration paid in respect of the Mysore Government Leases.

Your application for the transfer of the leases to the re-constructed company is being submitted to Government and their orders in the matter will be communicated to you as soon as received.

G.R.S. App. F VI G-2]

SUBJECT .....

.....

.....

Diary No. of letter replied to 3024

General and Revenue Secretariat

( )

the *193*

ate of issue 28/10/30

gned by H. C. S. Narasimha

May this be

(i) Printed ?

(ii) treated as a standing order ?

(iii) published in the Gazette, English Part?

(iv) translated ?

(v) placed at the disposal of the press ?

(vi) published in the Gazette, Kannada Part ?

Sec. Geol

File No. 39-30

Serial No. 2

Proceedings of the Government of His Highness the Maharaja of Mysore.

Read—

y.o.No. 3.4.6176-7/Yest. 82-3 -3.d. 20.6.22 appearing ~~of~~ the tra fer of the two mining leases for ma ganese ore held by the Worthington Iron & Steel Coy Ltd., in their two m (Kumsi & Shankargudda) -ing blocks in the ~~Kumsi Sub Taluq~~ Shimoga Dt to the United Steel Co Ltd., subject to the payment of th Order Thereon No duty leviable on the deed of transfer in accordance with Article 6 & Schedule I of the Mysore Stamp Regulation read with Article 22 the ~~at 1/2 % on the fair~~ a consideration ~~of fair consideration proportionate~~ equal to the ~~to the amount~~ of consideration for the transfer.

L. Letter No. 5058-2d. 11.10.30 from

The Director of Geology submitting for the orders of Govt a copy of letter L. 30.8.30 from Messrs. Johnson, Heathcoat, Grant & Handy, Solicitors, London, requesting sanction to the assignment of the lease held by the old United Steel Companies Ltd., to the New United Steel Company Ltd., and the registration of the assignment and recommending that the sanction may be accorded subject to the condition that stamp duty is paid by the Company on the proportionate cost amount of consideration as on the previous occasion.

Index No. D 4437-28 / 28/11

The Director's recommendation is sanctioned and he is requested to take action accordingly.

Dep Secy to Govt.

to

The Director of Geology by Messrs with certain enclosures received with his letter.

The Comptroller to Govt

re the matter of the transfer of the two mining leases held from the Govt. mentioned above to a new Company formed by the amalgamation of the United Steel Companies Ltd with a subsidiary Company.

Order

The Director reports that the old "United Steel Companies Ltd." (incorporated on 26. 3. 1918) to which the two mining leases in question were granted in respect thereof has disappeared from the Wakefield Steel Co. Ltd. by the Govt. mentioned above, has been amalgamated with a subsidiary company, the "United Ship and Bar Mills, Ltd", under the same title namely, "The United Steel Companies, Ltd" (w.e.f. 22. 8. 1930) but with a larger share capital. He has also forwarded a Deed of Assignment, received from the solicitors of the said Company for registration, whereby the old Company has made over all its rights & obligations under the said leases to the new Company, and recommends sanction for the proposed assignment on the same conditions as previously, viz. that stamp duty will be paid on a consideration equal to the amount of consideration for the transfer.

Govt are pleased to sanction the recommendation of the Director.

23/10

List of enclosure

Sn. 24/10.

Copied by

Examined by

WD 02560 -GPB --11,250--2-7-30

PROCEEDINGS OF THE GOVERNMENT OF HIS HIGHNESS

THE MAHARAJA OF MYSORE

Read:-

Government Order No.I.C.6176-7/Geol.82-21-3 dated 20th June 1922 approving the transfer of two mining leases for manganese ore held by the Workington Iron and Steel Company, Ltd., over two mining blocks (Kumsi and Shankargudda), Shimoga District to the United Steel Company, Ltd., subject to the payment of the duty leviable on the deed of transfer in accordance with Article 61 of Schedule I of the Mysore Stamp Regulation read with Article 22 thereof, a consideration equal to the amount of consideration for the transfer.

2. Letter No.5058-2 dated 11th October 1930 from the Director of Geology in the matter of the transfer of the two mining leases referred to in the Government Order read above to a new company formed by the amalgamation of the United Steel Companies Ltd., with a subsidiary Company.

ORDER NO.D. 4697-98 / Cont 37-32-2 Dated Bangalore 28 October 1930.

The Director (reports that the old "United Steel Companies Ltd" (incorporated on 25th March 1918) to which the two Mining Leases in question were transferred from the Workington Iron and Steel Company, by the Government Order read above, has been amalgamated with a subsidiary company the "United Strip and Bar Mills Ltd.," ~~under~~ under the same title namely, "The United Steel Companies, Ltd.," (incorporated on 22nd August 1930) but with a larger share capital. He has also forwarded a Deed of Assignment, received from the solicitors of the said company for registration, whereby the old company has made over all its rights and obligations under the ~~xxxxxxxx~~ ~~xxx~~ said leases to the new company, and assignment on the same condition as previously, viz that stamp duty will be paid on a consideration equal to the amount of consideration for the transfer.

he recommends sanction for the proposed

Government are pleased to sanction the recommendation of the Director.

27/10

For Secretary to Government
Revenue Development Departments.

To

The Director of Geology in Mysore returning enclosures received with his letter.

The Comptroller to Government.

3TSS 25/10

GOVERNMENT OF MYSORE 10

Geol 39-30-3

Telegraphic Address:—"GEOL." MYSORE GEOLOGICAL DEPARTMENT,

No. 5058-4 Bangalore, 13th November 1930

3931 dt 14-11-30

FROM

P. SAMPAT IYENGAR, ESQ., M.A.,
Director of Geology in Mysore,
Bangalore.

To

B. Narayanaswami Iyengar, Esquire, B.A., B.L.,
Secretary to the Government of His Highness
the Maharaja of Mysore,
Development Departments.

SIR,

Adverting to the Government Order No.D.4497-98/Geol.39-30-2, dated 28th October 1930, according sanction to the transfer of the mining leases of the Shankargudda and Kumsi Manganes Mining blocks from the United Steel Cos.Ltd. of March 1918 to the United Steel Cos.Ltd. of August 1930 subject to payment of stamp duty on the amount equal to the amount of consideration for the transfer, I have the honour to forward herewith a copy of letter, dated 24th October 1930 from Messrs. Johnson, Weatherall, Stuart and Hardy, Solicitors to the Company, in the matter in reply to my letter of 27th September. In the letter addressed by me to Government I mentioned that the new Company had a larger share capital. This I regret is a mistake and the solicitors now in their letter refer me to the relative clauses in the Scheme of Arrangement and point out that the new Company will have a reduced capital of £.6,650,000. As regards the Mysore leases it is stated that the value of the mining rights has been written down to nil in the accounts of the new Company. Therefore it is said that there is no consideration passing in connection with the transfer, and consequently there is no ad valorem stamp duty payable.

The whole thing appears complex and involves legal technicalities and I beg to suggest therefore that the Law Secretary to Government should be consulted in the matter.

However I wish to point out that in 1922 at the time of the last transfer, the Solicitors in their letter, dated 24th January 1923, stated that the proportion of the United Steel Companies' Securities exchanged in respect of the Mysore leases amounted to £.169,149 consisting of

"B" debentures	£.63,934.
Preference	70,143.
Ordinary	35,072

By the new scheme the "B" debenture holders are to receive £.80/- for every £.100/-, and the Preference and Ordinary share holders to receive one ordinary share in the new Company in respect of every three and five shares respectively. (Vide p.26&27 of the Cour This means that the above debentures and shares in the old Company which represented the value of the Mysore leases will have a reduced share value of £.60,543 in the new Company as detailed in the margin. This I consider is the considera-tion paid for the transfer of the Mysore lease holders and an ad valorem stamp duty of one per cent on this, or £.605.43, will be due to Government in respect of the present transfer.

4/5 of £.63934	= £.
1/3 of £.70143	= £.
1/5 of £.35072	= £.
	£.

I am not ~~clear~~ ~~if my~~ Certain if this view-point is correct and as su gested above the Law Secretary's opinion in the matter may l be obtained and orders communicated to me so that I may add the Solicitors to the Company in the matter definitely.

The file of papers relating to the recent transfer gether with letter, dated 20th January 1923 (in original) relating to the pre transfer is forwarded herewith for reference and kind retu when done with.

I have the honour to be,
Sir,
Your most obedient servant,

Director,
Mysore Geological Departme

12

Letter, dated 24th October 1930, from Messrs. Johnson,Weatherall Sturt & Hardy, Solicitors, 7, Kings Bench Walk, Temple,London, of the United Steel Companies,Ltd., to the Director, Mysore Geological Department.

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re: United Steel Companies Ltd.
Mining Leases.
Your Ref. 5058/1

We beg to thank you for your letter of the 27th September last enclosing Extract of the Rules; and observe. We enclose herewith Rupees 5, the small fee payable in respect of the Application to assign.

You write :- "It is noted that the Company is now a reconstructed company under the same name but has a larger share capita amalgamating a subsidiary company, the "United Strip and Bar Mills Ltd" This is not quite correct. If you will kindly refer to the Print of the Order sanctioning the Scheme of Arrangement on page 23 thereof you will see that the old United Steel Companies Ltd, had an issued Share Capital of £.9,324,065 divided into :-

1,317,516 6% Cumulative Preference Shares of £.1 each
8,006,549 Ordinary Shares of £.1 each

If you will also refer to Paragraph 10 of the Scheme on Page of the Print you will see that the Preference Shareholders in the old Company only received ONE Ordinary share in the new Company every THREE Preference Shares held by them, and the Ordinary Shareholders of the old Company received ONE new share of the new Company for every FIVE £.1 Ordinary Shares in the old Company held by them. The New Company having a Capital of only - £.6,650,000, being a Capital much less than the old Company.

In reality the Schame was a REDUCTION of Capital as regards the old Company of no less than £.7,283,584.

You will see also see by reference to Paragraph 12, Page 28 of the Scheme there were issued in respect of the Preference Shar of the old Company 439,172 Ordinary Shares as against the old

Preference Shares of 1,317,516; and there were issued in respect of the Ordinary Shares in the new Company 1,601,309 shares as against the 8,006,549 shares in the old Company.

In connection with these Mysore Leases - in arriving at the figures for the above reduction of Capital the value of the Mining Rights has been written down to nil in the accounts of the new Company and, therefore, there was no Consideration passing in connection with the Transfer; it is only the liability that the New Company has taken over under the Leases. Consequently we submit that no Ad Valorem Duty is payable.

We trust this explanation is satisfactory to you and we shall be glad to hear from you that the assignment of the Leases to the New Company will be duly registered and completed.

Copy.

Director,
Mysore Geological Department.

Appendix F G—1

14

SUBJECT.....

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Section Gen

File No. 39-30.

Serial No. 4

No. A/10490/Secs

Diary No. of letter replied to 3931

General and Revenue Secretariat

( )

the *193*

To

The Director of Geology in Abyssinia.

Date of issue 21/5/31

Signed by H. C. S. Newton

Sir,

With reference to your letter No. 5058-4 d. 13.11.30 forwarding copy of a letter d. 24.10.30 received from the Solicitors of the new United Steel Corps Ltd., London, in the matter of the assignment of the mining leases held by the old Company for Abangamese one and two blocks of land in the Kumsi and Kanguddu State Forests, Abimoga D.n, to the New Company, and

List of enclosures.....

Copied by.....

Examined by.....

[over

WD 02559—GPB—25,000—25-6-30

and requesting that the Law Agent may be consulted in the matter and his opinion obtained and necessary orders communicated to you to enable you to advise the Solicitors definitely in this matter, I am directed to state that in fixing the amount of consideration on which stamp duty has to be levied on the proposed purpose of transferring the Lease in question you may follow the arrangement similar to those adopted on the previous occasion or occasions and take the consideration for the present assignment to be a share of the capital of the Assignee Company bearing the same relation which the value of this remaining interest did to the capital of the Assignor Company as the lines indicated in your D.O. note dtd. 5.8.9 d. 2.5.31. 4th Further action may be taken in accordance with this respect in communication with the Solicitors in London as proposed by you.

2. The enclosures received with your letter are herewith returned. I have etc.,

ce
20/-

Dan Geoy to Govt

GOVERNMENT OF MYSORE

D 7796 GEOL. & REV. SECTION 28 MAY 1931 DEVELOPMENT BRANCH

Telegraphic Address:—"GEOL." MYSORE GEOLOGICAL DEPARTMENT,

Reply

No. 5058-11 *Bangalore,* 26th May *19* 31.

28531

FROM

P. SAMPAT IYENGAR, ESQ., M.A.,
Director of Geology in Mysore,
Bangalore.

To

Messrs. Johnson, Catherall, Sturt & Hardy,
Solicitors, 7 King's Bench Walk,
Temple, L O N D O N, E.C. 4.

~~Sir~~,
Gentlemen,

Referring to the correspondence ending with this office letter to you No.5058-7 dated 29th January 1931, re: the United Steel Cos. Ltd., I have the honour now to state that the Government of His Highness the Maharaja of Mysore are not prepared to accept the statement contained in your letter of the 24th October 1930 that no Ad Valorem duty is payable in respect of the transfer of the Mysore leases owing to the value of the mining rights having been written down to nil in the accounts of the New Company &c. Whatever might have been the cause for the reduction of capital it certainly cannot be maintained that the Mysore Mining Leases have no value whatsoever. If such be the case then why ask for an assignment instead of surrendering the lease holds

After carefully examining the position, the Government have decided to levy a stamp duty for the transfer of the two leases in question following the arrangement similar to that adopted on the previous occasion when the Workington Iron and Steel Co. Ltd. sold the same leaseholds to the United Steel Co Ltd. In reference to your letter dated 24th January 1925 to Mr. S. Jayaram, Director, Mysore Geological Department will give you an idea of what is required to be done.

The consideration for the present assignment will be a share of the capital of the assignee company bearing the same relation which the value of this interest did bear to the capital of the assignor company. Calculating on these lines the proportion of the United Steel Companies (New) securities exchanged in respect of the Mysore leases will amount to £. 61,542.7 and the stamp duty payable on this at 1 per cent will amount to £. 315-0-0.

It is requested that the amounts of stamp duty as above may be paid to Messrs. Coutts & Co. the Mysore Government's bankers in London and the fact intimated to me for the information of Government. An early compliance is requested.

On receipt of intimation of the payment as above the Government's sanction to the transfer of the above-mentioned leases from the old company to the new will be communicated to you.

I have the honour to be,

Sir,

Your most obedient servant.

(sd) P. Sampat Iyengar.

Director

Mysore Geological Department.

No. S958-12. Dated. 26th May 1931

Copy of above is forwarded with compliments to the Secretary to Government, Development Departments for information with reference to his No. D.10490/Geol.39-30-4 dated 21st May 1931.

P. Sampat Iyengar

Director,
Mysore Geological Department.